

A SURVEY OF PERFORMANCE APPRAISAL PRACTICES

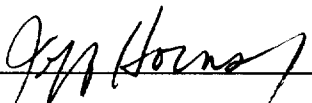
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ABSTRACT

This paper analyzes several aspects of performance appraisals. The primary purpose is to describe and interpret the results of a survey which was created and distributed to 250 Human Resource Managers across Indiana. The frequency of certain responses will lead to the exposure of some current trends in the creation of performance appraisal forms and their utilization. These results are addressed and analyzed to determine whether they correspond with published articles about the correct methods concerning these trends. In reviewing the responses to the survey various factors and components of a performance appraisal are discussed including aspects such as frequency of the appraisal, types of forms, review and feedback sessions, and the use of the performance appraisal in the company.

Performance appraisals are reviews of employees success in the completion of tasks and objectives based on the responsibilities of the specific job. The two primary goals of performance appraisals are to strengthen behaviors that lead to good job performance and to overcome those behaviors that decrease performance levels (Lawrie, 1990). The well supported saying that the best predictor of future performance is past performance illustrates why performance appraisals are used to determine employees actions and to stimulate feedback sessions which address future behavior. Most companies have some type of performance appraisal system in which supervisors discuss with employees the evaluation of their performance levels. The frequency, use, and application of these performance review sessions vary greatly between companies, though. This project centers around the analysis of a survey created to discover current trends in the creation and utilization of performance appraisals.

There are many published articles which address topics about performance appraisal. Some will be discussed now which address topics such as: the length of time between performance appraisals, the different types of forms to be used, formal appraisals with feedback, and reasons for dissatisfaction with appraisals.

There are specific arguments that can argue for and against the allotment of one full year between formal performance appraisal sessions.

Annual appraisals are very popular for various reasons. If conducted too frequently managers are overwhelmed with paperwork which takes their time away from more important managerial tasks.

Feedback is an essential part in performance appraisals and should be approached as a year-round concept rather than an annual procedure. This feedback should begin in the first week of employment in helping new workers adapt to the company's environment, as early impressions and problems can greatly affect the first year's evaluations. Employees who are not continually provided with feedback about their performance throughout their employment history may begin to slack off since they are not receiving recognition. This decreased performance level is precisely what performance appraisals can eliminate if adequate feedback is provided (Day, 1989). When giving feedback managers should be sure to distinguish between actual behavior and inferences or conclusions about behaviors. Inferences merely lead to erroneous judgements and defensiveness of employees which will restrict the communication in the feedback session (Schneier, 1990). Since feedback is a relatively inexpensive method increasing performance levels it should be used frequently to encourage positive behavior changes (Fedor, 1990).

The most effective performance appraisals are based upon formal, written job descriptions which are one to two page summaries of the tasks, expectations and activities associated with a particular position. They are created from a complete job analysis and can be used to distinguish between effective and ineffective performers (Veres III, 1990). Instead of using generalized skill categories appraisals base their ratings on specific standards such as quantitative, qualitative, time and cost for all key performance areas (Sorensen, 1992).

According to teachings in human resource education, the proper way to create a job description is by conducting a thorough job analysis, as mentioned above. Assigning upper management, a single employee, or a group to write job descriptions risks the error of the lack of awareness of the specific knowledge, skills and abilities required for each job. If job analysis are not available or too costly, the errors from lack of information can be minimized by requesting feedback from actual workers in these positions. This can also cause problems, though, as employees tend to inflate or exaggerate their actual responsibilities to make their position appear more important. These complications simply refer back to the importance of conducting job analysis for a firm's positions when writing job descriptions.

A primary reason for a company's dissatisfaction with performance appraisals is the inability of managers to agree upon a purpose or use of the appraisal. One way to eliminate this problem of disagreement about usage is through excessive communication among managers and between managers and employees. In setting specific goals with employees and communicating to them how performance appraisals will be used three things can be accomplished. Employees will be provided with a direction and goal for their personal performance standards. Trust will also be developed between employees and the supervisors. Lastly, by allowing employees to take part in this goal setting, the "surprise" aspect is eliminated from performance appraisals and they can serve as more effective tools for development. When conducted correctly, participants have significantly positive

feelings about the performance appraisal process since almost ninety five percent feel that performance appraisals have a somewhat to very important impact upon successful performance.

METHODS

In creating a survey specific guidelines must be followed if people are to willingly complete and respond to all questions asked. It is critical that surveys do not "over ask" about facts. Limiting the questions to the specific information detrimental to the study, preventing surveys from becoming excessively long and time consuming to complete. When wording questions, they should be strait-forward and easy for the reader to understand both what is being asked and how to respond. This includes restraining from the use of acronyms, as all individuals may not know their meaning. Acronyms could lead to confusion and influence respondents to avoid answering. Adequate choices of answers should be provided which cover all possible responses. If a participant is able to possess an answer which is not given, a choice labeled "other" should be included, allowing for thorough and accurate information to be collected.

In the survey package a letter should be included which informs respondents of the reason for the survey. This letter also ensures participants that answers will be kept confidential and will not in any way be linked to them or their company. This eliminates any hesitations participants may feel, thus encouraging openness when answering questions. Lastly, the letter should specify a requested date of return, ideally two weeks from the mailing distribution date.

In creating this performance appraisal survey these guidelines are taken into consideration. The contents of the survey is limited to eight questions in attempt to gather sufficient data without the excessive length that would prevent completion by respondents.

The questions were chosen to focus on specific factors of performance appraisal which relate to current trends by coinciding or diverting from the majority opinions. First, participants are asked the size of the firm. This is important for analyzing results. For example, if all respondents are from small firms this may explain their lack of formal performance appraisals and thus account for the skewed results. Next, before asking specific questions about performance appraisal systems, it is logical to determine the extent to which they are used by the firm, if at all, and how often performance appraisals are given. These questions help determine how performance appraisals are valued as rating device. As discussed above, different types of performance appraisals have individual advantages and disadvantages. Therefore, respondents are asked which type or types they use to find the current trend in forms. The more specific a form is to the actual job, the more affective it is in evaluating an employee. For this reason the survey also includes questions concerning the use of different forms within the company and how the employees are divided. A formal review session and the existence of feedback is very important in performing effective performance appraisals, so participants are asked to respond to this question as well.

As described above, the most effective means of creating

performance appraisals is through the use of formal written job descriptions. The next portion of the survey is dedicated to questions concerning this factor. Respondents are asked if the company even has job descriptions, and if they do how they are created and how often they are updated. This information will determine how accurate the job descriptions actually are.

The next major question concerns the use of the performance appraisals. Since there are various uses, it is necessary to collect this information to determine the current trends in the area. Lastly, participants are asked their personal opinion of the performance appraisals' ability to impact successful performance. This exposes the actual managers' views which can be compared to the published opinion of educated authors to determine an equal or diverging attitude. A copy of the letter and survey are included in APPENDIX A.

After their creation these surveys are mailed to two hundred and fifty randomly selected general members of the Society for Human Resource Management throughout Indiana. One hundred forty surveys are returned, demonstrating a response rate of fifty six percent.

Entering the responses on a Statgraphics program determines the response frequencies, relative frequencies, and accumulated frequencies to each question. The results from this Statgraphic analysis are reported below following each survey question.

1. What is the approximate number of employees in the company:

Response	Frequency	Relative Frequency	Cumulative Frequency
1-50	4	.0290	.0290
51-100	19	.1337	.1667
101-200	19	.1337	.3043
201-500	28	.2029	.5072
501 and up	68	.4928	1.0000

2. Describe the use of performance appraisals in your company:

Response	Frequency	Relative Frequency	Cumulative Frequency
Does not exist	4	.0286	.0286
Exists but is never used	0	.0000	.0286
Discretion of specific managers	12	.0824	.1143
Required for all employees	124	.8857	1.0000

If performance appraisals are used how often are they given:

Response	Frequency	Relative Frequency	Cumulative Frequency
Quarterly	6	.0359	.0359
Semi-annually	26	.1557	.1916
Yearly	105	.6287	.8203
Other	30	.1797	1.0000

3. What type(s) of performance appraisal systems does your company use (please check those that apply):

Response	Frequency	Relative Frequency	Cumulative Frequency
Narrative essay	56	.2403	.2403
Checklist	74	.3176	.5579
Management By Objectives	79	.3391	.8970
Other	24	.1030	1.0000

4. Is a different performance appraisal form used for different types of employees:

Response	Frequency	Relative Frequency	Cumulative Frequency
Yes	90	.6620	.6620
No	46	.3380	1.0000

If a different performance appraisal form is used, how are the employees divided:

Response	Frequency	Relative Frequency	Cumulative Frequency
Exempt and non-exempt	45	.5000	.5000
Blue collar and supervisory	3	.0333	.5333
Managerial and non-managerial	24	.2667	.8000
Other	18	.2000	1.0000

5. Is a formal performance appraisal review and feedback session required in the company:

Response	Frequency	Relative Frequency	Cumulative Frequency
Yes	126	.9197	.9197
No	11	.0803	1.0000

6. Does your company have formal written job descriptions:

Response	Frequency	Relative Frequency	Cumulative Frequency
Yes	127	.9203	.9203
No	11	.0797	1.0000

If company does have job descriptions:

a. How are the job descriptions created:

Response	Frequency	Relative Frequency	Cumulative Frequency
By upper level management	40	.3130	.3130
By assigning an employee to write them	16	.1250	.4380
Through group collaboration	28	.2190	.6560
Job analysis	44	.3440	1.0000

b. How often are the job descriptions updated:

Response	Frequency	Relative Frequency	Cumulative Frequency
Never been updated	2	.0156	.0156
Quarterly	0	.0000	.0156
Semi-Annually	2	.0156	.0313
Yearly	26	.2031	.2344
Every 2-5 years	46	.3594	.5938
Other	52	.4063	1.0000

7. What is your performance appraisal used to determine:
(Please mark any that apply)

Response	Frequency	Relative Frequency	Cumulative Frequency
Salary increases	112	.2786	.2786
Promotions	67	.1667	.4453
Employee's objectives for the upcoming period	111	.2761	.7214
Training needs	98	.2438	.9652
Other	14	.0348	1.0000

8. What impact do you feel performance appraisal has on successful job performance:

Response	Frequency	Relative Frequency	Cumulative Frequency
Not important at all	1	.00735	.00735
Of little importance	3	.02206	.02914
No opinion	3	.02206	.05147
Somewhat important	56	.41176	.46324
Very important	73	.53676	1.00000

To further interpret the results, the frequencies of responses are analyzed to determine their effect upon the current trends in performance appraisal. The answers are also compared to recent literature, which represents country-wide patterns, to compare Indiana companies' responses to discover if they are keeping up-to-date on the current uses of performance appraisals.

Approximately eighty nine percent of those surveyed require performance appraisals for all employees. Considering this and the statistics from question one, which display a fairly even distribution of responses from various sized firms, it can be deducted that Indiana companies, both large and small, consider performance appraisals to be an important factor in their employees' and company's development.

In reference to the question concerning the frequency of performance appraisals, the majority of the firms respond that one appraisal session per year is adequate, although this trend of waiting one full year between appraisals is not recommend, according to the literature cited above. Some respondents add a comment in the option "other" stating they do conduct performance appraisals more often, though, if a certain employee is experiencing problems or is been recently hired.

Question three resulted in a variety of different responses, demonstrating that there is not one type of form that is currently popular in the companies surveyed. Respondents use some other systems such as factor analysis, performance standards, direct comparison to job descriptions, and a combination of many systems.

In discussion about question number four, two thirds of the

participants report the use of different forms for different employees. These are positive responses, as the ideal system would contain many different forms for each job based on its specific requirements. An individualized performance appraisal form leads to clear understanding by both the employee and manager in terms of expectations and rating criteria (Levy, 1989). When different appraisal forms are used the most popular way to divide employees is between exempt and non-exempt workers.

The participants' companies agree with recent teaching and literature discussed above which emphasizes the importance of the formal appraisal and feedback, for ninety two percent require formal appraisal and feedback sessions.

In agreement with the facts above concerning the importance of job descriptions, over ninety two percent of the respondents state their companies have job descriptions. Since properly written job descriptions require a timely and sometimes costly process, many firms do not update them very often, as only twenty three percent of the respondents state they are updated more frequently than bi-annually. Forty percent of participants marked the option "other" when asked about updating. The primary explanations for this choice are updates: upon job openings, when job requirements change, or at the discretion of management. Changing job descriptions upon the change of a job's accountability or performance measure is an acceptable reason to update. This change in an existing job can be determined between supervisors and employees at the actual performance appraisal meeting and descriptions can be changed accordingly. If no change is deemed

necessary, evaluation standards will remain unchanged for the next evaluation period (Hoevemeyer, 1989).

According to the varied responses, managers seem to be sure of the purposes for which performance appraisals are to be used. Beyond the five choices given, various "other" were specified including: attendance understanding, bonuses, retention, merit increases, and the completion of performance expectations.

Luckily, there is not one "right" performance appraisal system. If managers show genuine interest and sincerity in their comments and concentrate upon purely constructive criticism, their system can be effective (LaBarbera, 1988). Effective performance appraisals will reward top performers and make it known to others they are being rewarded for their success. This will influence all employees to positively change behavior. The process will then transform from performance appraisal to performance management, as workers are not merely receiving praise for the past, but are influenced to properly manage and change the future.

APPENDIX A

Dear Personnel Manager,

March 30, 1993

I am a member of the Society for Human Resource Management's student chapter at Ball State University. I am conducting this survey for my Honors Thesis. My purpose is to research companies' utilizations of performance appraisal systems in attempt to gain a better understanding of the types of systems used by firms and the function which performance appraisal serves in different companies. I would like to thank you in advance for taking the time to complete this survey and promise you that any responses or comments will be kept confidential and will not be associated with you or your firm. If you have any questions I may be contacted at (317) 289-6307 or you may call my professor Dr. Jeff Hornsby at (317) 285-5206.

Please return the completed survey to me by April 14, 1993 in the enclosed envelope.

Thank you again,

Roslyn Shirmeyer

enclosures

PERFORMANCE APPRAISAL SURVEY

1. What is the approximate number of employees in the company:

☐ 1-50
☐ 51-100
☐ 101-200
☐ 201-500
☐ 501 and up

2. Describe the use of performance appraisals in your company:

☐ a. Does not exist
☐ b. Exists but is never used
☐ c. Used at the discretion of specific managers
☐ d. Required for all employees

*If performance appraisals are used how often are they given:

☐ Quarterly
☐ Semi-annually
☐ Yearly
☐ Other (please specify) _____

3. What type(s) of performance appraisal systems does your company use (please check those that apply):

☐ Narrative essay
☐ Checklist
☐ Management By Objectives (goal setting)
☐ Other (please specify) _____

4. Is a different performance appraisal form used for different types of employees:

☐ YES ☐ NO

IF YES - How are the employees divided:

☐ Exempt and non-exempt
☐ Blue collar and supervisory
☐ Managerial and non-managerial
☐ Other (please specify) _____

5. Is a formal performance appraisal review and feedback session required in the company:

☐ YES ☐ NO

6. Does your company have formal written job descriptions:

_____ YES _____ NO

IF YES - a. How are the job descriptions created:

_____ By upper level management
_____ By assigning an employee to write them
_____ Through group collaboration
_____ Job analysis

b. How often are the job descriptions updated:

_____ They have never been updated
_____ Quarterly
_____ Semi-Annually
_____ Yearly
_____ Every 2-5 years
_____ Other (please specify) _____

7. What is your performance appraisal used to determine:
(Please mark any that apply)

_____ Salary increases
_____ Promotions
_____ Employee's specific objectives for the upcoming
period
_____ Training needs
_____ Other (please specify) _____

8. What impact do you feel performance appraisal has on
successful job performance:

_____ Not important at all
_____ Of little importance
_____ No opinion
_____ Somewhat important
_____ Very important

Any additional comments are welcomed:

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